



Press Release
CHANDI STEEL INDUSTRIES LIMITED
May 09, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE A- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITÉ A-**' (read as **ACUITE A minus**) on the Rs.25.00 Cr. bank facilities of Chandi Steel Industries Limited (CSIL). The outlook is '**Stable**'.

Rationale for Rating

The rating assigned reflects the established track record of operations and industry experience of the directors of the company in the manufacturing of Cathode Collector Bar, Anode Bar, Copper Inserted Cathode Bar etc. for more than four decades. The rating also factors in the healthy financial risk profile as seen by low debt to equity of 0.23 times in FY23 and strong debt protection metrics and efficient working capital of the company along with the rise in scale of operations and margins due to change in the product mix and adequate liquidity position. However, the rating is constrained by moderate customer concentration risk. Further, it factors in the susceptibility of profitability to fluctuations in raw material prices.

About the Company

Chandi Steels Industries Limited was Incorporated in 1978, and subsequently the company was listed on Calcutta Stock Exchange in November 2003. Company is engaged in manufacturing of Cathode Collector Bar, Anode Bar, Copper Inserted Cathode Bar Assembly, Anode Stub and Grinding Media Rod for the aluminium, mineral and mining industry. The Directors of the company are Mr. Devendra Prasad Jajodia and Mr. Harsh Jajodia. The company manufactures various Alloy & Non-Alloy Steel bar and Cathode Bar (Copper & Non Copper), with an installed capacity of manufacturing 60000 MTPA. Further, the company has its rerolling plant located at Liluah in Howrah district, West Bengal and Company has an established link with few reputed customers which includes Vedanta Ltd, Hindalco Industries Ltd and Bharat Aluminium Co. Ltd.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Chandi Steel Industries Limited (CSIL) to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations-

The company is managed by Mr. Devendra Prasad Jajodia and Mr. Harsh Jajodia and a team of experienced personnel. The directors possess over 25 years of experience in this line of

business. The long-standing experience of the promoter and long track record of operations has helped the company to establish comfortable relationships with key suppliers and customers. The experience of the promoters is also evident through the improving scale of operations, with revenue of the company increased to 495.71 Cr in FY23 from 432.04 Cr in FY22. The rise in scale of operations is mainly due to change in the product mix, by adding copper-based products (copper-based Cathode round Bars), which in turn got higher realization and better margins.

Acuite believes that company shall continue to benefit from its established presence and track record along with a healthy relationship with customers.

Healthy Financial Risk Profile-

The financial risk profile of the company is healthy, marked by healthy net worth, low gearing and Strong debt protection metrics. The net worth of the company stood at Rs.95.74 crore in FY 2023 as compared to Rs 55.84 crore in FY2022. The increase in networth is majorly due to accretion of profits to the reserves. The gearing of the company has stood low at 0.23 times in FY 2023 as compared to 0.93 times in FY 2022. The gearing is expected to remain low over the medium term on account of absence of any debt funded capex plans and modest incremental working capital requirements. The TOL/TNW of the company stood at 0.47 times as on 31st March 2023 as against from 1.73 times as on 31st March 2022. Further Debt Protection metrics stood comfortable with Interest Coverage Ratio (ICR) stood at 11.91 times as on 31st March 2023 as against 5.69 times as on 31st March 2022. The Debt Service Coverage Ratio (DSCR) of the company stood at 7.28 times as on 31st March 2023 as compared to 4.08 times in the previous year. The Net Cash Accruals to Total Debt (NCA/TD) ratio stood at 1.94 times as on 31st March 2023 as compared to 0.44 times in the previous year.

Acuite expects the financial risk profile of the company may continue to remain healthy, with no major debt funded capex plan in medium term and steady cash accruals.

Efficient Working capital management -

The working capital operations of the company are efficient in nature marked by GCA days of 68 days in FY2023 against 94 days in FY2022. The debtor's collection period stood at 24 days in FY2023 as against 26 days in FY2022. Generally, the company has a policy of providing credit of upto 30 days to its customers. The inventory days for the company stood at 35 days in FY2023 as against 53 days in FY2022. Generally, the inventory holding period that the company follows is 15-20 days. Also, the creditors days stood at 18 days in FY2023 as against 33 days in FY2022. Generally, the company is paying advance to majority of suppliers and with few enjoys the credit period of 30-35 days. Furthermore, the average utilization of working capital for fund based limits remained low, averaging around 18% over the last 6 months ending March 2024

Acuite believes that working capital operations of CSIL may continue to remain efficient considering the nature of operations.

Weaknesses

Customer concentration risk-

The company faces moderate customer concentration risk with the top 5 customers collectively account for approximately 73% of the total revenue, indicating a notable concentration of revenue among a limited number of clients. Further, of which Top 3 clients namely Emirates Global, Vedanta Limited and Aluminium Bahrain constitutes for around 61% of the revenue., highlighting a significant dependency on a few key customers and thus posing a customer concentration risk. However, the same is largely mitigated due to tailor-made product manufactured by the company as per the specification provided by the client, the approval of which takes more than 2 years. The financial and business risk profile changes of these key customers can impact business or financial risk profile of CSIL. However, it is worth noting that the company has maintained long and established relations with these companies.

Acuite believes ability of the company to diverse its customer base is a key rating sensitivity.

Susceptibility of profitability to competitive industry and fluctuations in raw material prices –

The major raw material of the company is copper and steel. The company's performance remains vulnerable to cyclicity in the copper sector as demand for copper depends on the performance of the end user segments. The company operates in a highly competitive and fragmented industry characterised by low entry barriers, which results in intense competition from the large number of organised and unorganised players present in the downstream segment providing similar products and services. Hence, the bargaining power of the company remains low due to the competitive nature of the industry. Any volatility in the prices of the raw materials has a direct impact on the profitability margins of the company.

Rating Sensitivities

Improvement in scale of operation while improving the profitability margin.

Any elongation in its working capital cycle.

Deterioration in financial risk profile.

Customer Concentration risk

Liquidity Position Adequate

The company's liquidity position is adequate, and the company has sufficient net cash accruals of Rs.42.94 Cr in FY2023 as against its maturity debt obligations of Rs.1.42 Cr in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs. 59.75 – 69.76 crores as against the maturing repayment obligations of around Rs. 1.92 Cr over the medium term. Further, the working capital management of the firm is efficient marked by GCA days of 68 days in FY2023 as against 94 days in FY2022. The current ratio stands at 2.83 times as on 31st March 2023 as against 1.26 times as on 31st March 2022. The average bank limit utilization for the past 6 months ending March 2024 is low averaging around 18% percent.

Acuite believes that liquidity position of the company may continue to remain adequate with steady cash accruals.

Outlook: Stable

Acuite believes the outlook on CSIL will continue to remain 'Stable' over the medium term backed by its long track record of operations and experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' if the company is able to successfully acquire higher orders which will lead to significant improvement in scale of operations and the profitability margins while also improving its working capital operations. Conversely, the outlook may be revised to 'Negative' in case of any operating inefficiency by CSIL leading to deterioration in revenue and profitability along with financial risk profile and liquidity position of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	495.71	432.04
PAT	Rs. Cr.	40.04	19.93
PAT Margin	(%)	8.08	4.61
Total Debt/Tangible Net Worth	Times	0.23	0.93
PBDIT/Interest	Times	11.91	5.69

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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